



House of Representatives

General Assembly

File No. 80

February Session, 2008

Substitute House Bill No. 5023

House of Representatives, March 20, 2008

The Committee on Banks reported through REP. BARRY of the 12th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

***AN ACT APPROPRIATING FUNDS FOR A PROGRAM OF
CONTINUING EDUCATION FOR RESIDENTIAL MORTGAGE
BROKERS AND ORIGINATORS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective September 30, 2008*) As used in this section
2 and sections 2 to 6, inclusive, of this act:

3 (1) "Accredited professional education program" means any
4 education program or testing for an applicant for a first mortgage
5 broker license, a second mortgage broker license or an originator
6 license or for an applicant for renewal of any such license that is
7 designed to ensure professional competence in mortgage origination
8 and brokering principles and practices under applicable state and
9 federal lending laws and ethics that is approved by the commissioner
10 and is provided by an organization, institution or agency that is
11 approved by the commissioner.

12 (2) "Accredited professional test" means any test taken by an

13 applicant for a first mortgage broker license, a second mortgage broker
14 license or an originator license or for an applicant for renewal of any
15 such license that is designed to ensure professional competence in
16 mortgage origination and brokering principles and practices under
17 applicable state and federal lending laws and ethics that is approved
18 by the commissioner and is administered by an organization,
19 institution or agency that is approved by the commissioner at a facility
20 approved by the commissioner.

21 (3) "Certificate of education" means a document issued to an
22 applicant for or holder of a first mortgage broker license, a second
23 mortgage broker license or an originator license by an accredited
24 professional education program that (A) certifies that an applicant for
25 or holder of a first mortgage broker license, a second mortgage broker
26 license or an originator license has satisfactorily completed a specified
27 number of continuing education hours; and (B) bears the name of such
28 organization, institution or agency, the title of the program, the dates
29 during which the program was conducted, the number of education
30 hours satisfactorily completed and the signature of the director of such
31 organization, institution or agency or the signature of the director's
32 authorized agent.

33 (4) "Certificate of testing" means a document issued to an applicant
34 for or a holder of a first mortgage broker license, a second mortgage
35 broker license or an originator license by an accredited professional
36 education program that (A) certifies that an applicant for or a holder of
37 a first mortgage broker license, a second mortgage broker license or an
38 originator license has satisfactorily completed an accredited
39 professional test and passed such test by a score of sixty-five per cent
40 or greater; and (B) bears the name of such organization, institution or
41 agency, the title of the test, the date the test was taken, and the
42 signature of the director of such organization, institution or agency or
43 the signature of the director's authorized agent.

44 (5) "Commissioner" means the Banking Commissioner.

45 Sec. 2. (NEW) (*Effective September 30, 2008*) On and after January 1,

46 2010, each applicant for a first mortgage broker license pursuant to
47 sections 36a-485 to 36a-498a, inclusive, of the general statutes or the
48 2008 supplement to the general statutes, a second mortgage broker
49 license pursuant to sections 36a-510 to 36a-524, inclusive, of the general
50 statutes or the 2008 supplement to the general statutes and an
51 originator license pursuant to either sections 36a-485 to 36a-498a,
52 inclusive, of the general statutes or the 2008 supplement to the general
53 statutes or sections 36a-510 to 36a-524, inclusive, of the general statutes
54 or the 2008 supplement to the general statutes shall prove to the
55 satisfaction of the commissioner that the applicant has, within one year
56 prior to filing the application: (1) Obtained a certificate of education
57 from an accredited professional education program of at least twenty
58 classroom hours of study comprised of nine classroom hours of study
59 on applicable federal lending laws, regulations and requirements, nine
60 classroom hours of study on applicable Connecticut lending laws,
61 regulations and requirements and two classroom hours on applicable
62 professional ethics laws, regulations and requirements, all as further
63 determined by the commissioner; and (2) obtained a certificate of
64 testing.

65 Sec. 3. (NEW) (*Effective September 30, 2008*) Except as provided in
66 section 4 of this act, for the period from January 1, 2010, to December
67 31, 2011, inclusive, each applicant for renewal of a first mortgage
68 broker license pursuant to sections 36a-485 to 36a-498a, inclusive, of
69 the general statutes or the 2008 supplement to the general statutes, a
70 second mortgage broker license pursuant to sections 36a-510 to 36a-
71 524, inclusive, of the general statutes or the 2008 supplement to the
72 general statutes and an originator license pursuant to either sections
73 36a-485 to 36a-498a, inclusive, of the general statutes or the 2008
74 supplement to the general statutes or sections 36a-510 to 36a-524,
75 inclusive, of the general statutes or the 2008 supplement to the general
76 statutes shall prove to the satisfaction of the commissioner that the
77 applicant has, subsequent to the issuance of the applicant's current
78 license and prior to filing the renewal application: (1) Obtained a
79 certificate of education from an accredited professional education
80 program of at least twenty classroom hours of study comprised of nine

81 classroom hours of study on applicable federal lending laws,
82 regulations and requirements, nine classroom hours of study on
83 applicable Connecticut lending laws, regulations and requirements
84 and two classroom hours on applicable professional ethics laws,
85 regulations and requirements, all as determined by the commissioner;
86 and (2) obtained a certificate of testing.

87 Sec. 4. (NEW) (*Effective September 30, 2008*) On and after January 1,
88 2010, an applicant for renewal of a first mortgage broker license
89 pursuant to sections 36a-485 to 36a-498a, inclusive, of the general
90 statutes or the 2008 supplement to the general statutes, a second
91 mortgage broker license pursuant to sections 36a-510 to 36a-524,
92 inclusive, of the general statutes or the 2008 supplement to the general
93 statutes or an originator license pursuant to either sections 36a-485 to
94 36a-498a, inclusive, of the general statutes or the 2008 supplement to
95 the general statutes or sections 36a-510 to 36a-524, inclusive, of the
96 general statutes or the 2008 supplement to the general statutes, who
97 has continuously held a license, or in the case of an applicant for
98 renewal of an originator license, a registration, for a period of ten
99 consecutive years or more, shall not be required to obtain a certificate
100 of testing in order to renew.

101 Sec. 5. (NEW) (*Effective September 30, 2008*) On and after January 1,
102 2012, any applicant for renewal of a first mortgage broker license
103 pursuant to sections 36a-485 to 36a-498a, inclusive, of the general
104 statutes or the 2008 supplement to the general statutes, a second
105 mortgage broker license pursuant to sections 36a-510 to 36a-524,
106 inclusive, of the general statutes or the 2008 supplement to the general
107 statutes or an originator license pursuant to either sections 36a-485 to
108 36a-498a, inclusive, of the general statutes or the 2008 supplement to
109 the general statutes or sections 36a-510 to 36a-524, inclusive, of the
110 general statutes or the 2008 supplement to the general statutes shall
111 prove to the satisfaction of the commissioner that the applicant has,
112 within one year prior to filing the renewal application, obtained a
113 certificate of education from an accredited professional education
114 program of at least ten classroom hours of study comprised of four

115 classroom hours of study on applicable federal lending laws,
116 regulations and requirements, four classroom hours of study on
117 applicable Connecticut lending laws, regulations and requirements
118 and two classroom hours on applicable professional ethics laws,
119 regulations and requirements, all as determined by the commissioner.

120 Sec. 6. (NEW) (*Effective September 30, 2008*) Not later than January 1,
121 2009, the commissioner shall adopt such regulations, in accordance
122 with chapter 54 of the general statutes, as the commissioner deems
123 necessary, to implement the provisions of sections 1 to 5, inclusive, of
124 this act, including establishment of the requirements for qualifying
125 criteria for accredited professional education programs and accredited
126 professional tests and for acceptable certificates of education and
127 testing.

128 Sec. 7. Section 36a-3 of the 2008 supplement to the general statutes is
129 repealed and the following is substituted in lieu thereof (*Effective*
130 *September 30, 2008*):

131 Other definitions applying to this title or to specified parts thereof
132 and the sections in which they appear are:

- T1 "Account". Sections 36a-155 and 36a-365.
- T2 "Accredited professional education program". Section 1 of this act.
- T3 "Accredited professional test". Section 1 of this act.
- T4 "Additional proceeds". Section 36a-746e.
- T5 "Administrative expense". Section 36a-237.
- T6 "Advance fee". Sections 36a-485 of the 2008 supplement to
- T7 the general statutes, 36a-510 of the 2008 supplement to
- T8 the general statutes and 36a-615.
- T9 "Advertise" or "advertisement". Sections 36a-485 of the
- T10 2008 supplement to the general statutes and 36a-510 of
- T11 the 2008 supplement to the general statutes.
- T12 "Agency bank". Section 36a-285.
- T13 "Alternative mortgage loan". Section 36a-265.
- T14 "Amount financed". Section 36a-690.

- T15 "Annual percentage rate". Section 36a-690.
- T16 "Annual percentage yield". Section 36a-316.
- T17 "Annuities". Section 36a-455a.
- T18 "Applicant". Section 36a-736.
- T19 "APR". Section 36a-746a.
- T20 "Assessment area". Section 36a-37.
- T21 "Assets". Section 36a-70.
- T22 "Associate". Section 36a-184.
- T23 "Associated member". Section 36a-458a.
- T24 "Bank". Section 36a-30.
- T25 "Bankers' bank". Section 36a-70.
- T26 "Banking business". Section 36a-425.
- T27 "Basic services". Section 36a-437a.
- T28 "Billing cycle". Section 36a-565.
- T29 "Bona fide nonprofit organization". Section 36a-655.
- T30 "Branch". Sections 36a-145 of the 2008 supplement to the
- T31 general statutes, 36a-410 of the 2008 supplement to the
- T32 general statutes and 36a-435b.
- T33 "Branch or agency net payment entitlement". Section 36a-428n.
- T34 "Branch or agency net payment obligation". Section 36a-428n.
- T35 "Broker". Section 36a-746a.
- T36 "Business and industrial development corporation". Section 36a-626.
- T37 "Business and property in this state". Section 36a-428n.
- T38 "Capital". Section 36a-435b.
- T39 "Cash advance". Section 36a-564.
- T40 "Cash price". Section 36a-770.
- T41 "Certificate of education". Section 1 of this act.
- T42 "Certificate of incorporation". Section 36a-435b.
- T43 "Certificate of testing". Section 1 of this act.
- T44 "Closely related activities". Sections 36a-250 and 36a-455a.
- T45 "Collective managing agency account". Section 36a-365.
- T46 "Commercial vehicle". Section 36a-770.
- T47 "Community bank". Section 36a-70.
- T48 "Community credit union". Section 36a-37.
- T49 "Community development bank". Section 36a-70.

- T50 "Community reinvestment performance". Section 36a-37.
- T51 "Connecticut holding company". Sections 36a-53 of the
- T52 2008 supplement to the general statutes and 36a-410 of
- T53 the 2008 supplement to the general statutes.
- T54 "Consolidate". Section 36a-145 of the 2008 supplement to
- T55 the general statutes.
- T56 "Construction loan". Section 36a-458a.
- T57 "Consumer". Sections 36a-155, 36a-676 and 36a-695.
- T58 "Consumer Credit Protection Act". Section 36a-676.
- T59 "Consumer debtor" and "debtor". Sections 36a-645 and
- T60 36a-800 of the 2008 supplement to the general statutes.
- T61 "Consumer collection agency". Section 36a-800 of the 2008
- T62 supplement to the general statutes.
- T63 "Consummation". Section 36a-746a.
- T64 "Controlling interest". Section 36a-276.
- T65 "Corporate". Section 36a-435b.
- T66 "Credit". Sections 36a-645 and 36a-676.
- T67 "Credit manager". Section 36a-435b.
- T68 "Creditor". Sections 36a-676, 36a-695 and 36a-800 of the
- T69 2008 supplement to the general statutes.
- T70 "Credit card", "cardholder" and "card issuer". Section 36a-676.
- T71 "Credit clinic". Section 36a-700.
- T72 "Credit rating agency". Section 36a-695.
- T73 "Credit report". Section 36a-695.
- T74 "Credit sale". Section 36a-676.
- T75 "Credit union service organization". Section 36a-435b.
- T76 "Credit union service organization services". Section 36a-435b.
- T77 "De novo branch". Section 36a-410 of the 2008 supplement
- T78 to the general statutes.
- T79 "Debt". Section 36a-645.
- T80 "Debt adjustment". Section 36a-655.
- T81 "Debt mutual fund". Sections 36a-275 and 36a-459a.
- T82 "Debt securities". Sections 36a-275 and 36a-459a.
- T83 "Debtor". Section 36a-655.
- T84 "Deliver". Section 36a-316.

- T85 "Deposit". Section 36a-316.
- T86 "Deposit account". Section 36a-316.
- T87 "Deposit account charge". Section 36a-316.
- T88 "Deposit account disclosures". Section 36a-316.
- T89 "Deposit contract". Section 36a-316.
- T90 "Deposit services". Section 36a-425.
- T91 "Depositor". Section 36a-316.
- T92 "Director". Section 36a-435b.
- T93 "Earning period". Section 36a-316.
- T94 "Electronic payment instrument". Section 36a-596 of the
- T95 2008 supplement to the general statutes.
- T96 "Eligible collateral". Section 36a-330.
- T97 "Equity mutual fund". Sections 36a-276 and 36a-459a.
- T98 "Equity security". Sections 36a-276 and 36a-459a.
- T99 "Executive officer". Sections 36a-263 and 36a-469c.
- T100 "Federal Credit Union Act". Section 36a-435b.
- T101 "Federal Home Mortgage Disclosure Act". Section 36a-736.
- T102 "Fiduciary". Section 36a-365.
- T103 "Filing fee". Section 36a-770.
- T104 "Finance charge". Sections 36a-690 and 36a-770.
- T105 "Financial institution". Sections 36a-41, 36a-44a, 36a-155, 36a-316, 36a-
- T106 330, 36a-435b and 36a-736.
- T107 "Financial records". Section 36a-41.
- T108 "First mortgage broker". Section 36a-485 of the 2008
- T109 supplement to the general statutes.
- T110 "First mortgage correspondent lender". Section 36a-485 of
- T111 the 2008 supplement to the general statutes.
- T112 "First mortgage lender". Section 36a-485 of the 2008
- T113 supplement to the general statutes.
- T114 "First mortgage loan". Sections 36a-485 of the 2008
- T115 supplement to the general statutes, 36a-705 and 36a-715.
- T116 "Foreign banking corporation". Section 36a-425.
- T117 "General facility". Section 36a-580.
- T118 "Global net payment entitlement". Section 36a-428n.
- T119 "Global net payment obligation". Section 36a-428n.

- T120 "Goods". Sections 36a-535 and 36a-770.
- T121 "Graduated payment mortgage loan". Section 36a-265.
- T122 "Guardian". Section 36a-365.
- T123 "High cost home loan". Section 36a-746a.
- T124 "Holder". Section 36a-596 of the 2008 supplement to the
- T125 general statutes.
- T126 "Home banking services". Section 36a-170.
- T127 "Home banking terminal". Section 36a-170.
- T128 "Home improvement loan". Section 36a-736.
- T129 "Home purchase loan". Section 36a-736.
- T130 "Home state". Section 36a-410 of the 2008 supplement to
- T131 the general statutes.
- T132 "Immediate family member". Section 36a-435b.
- T133 "Insider". Section 36a-454b.
- T134 "Installment loan contract". Sections 36a-535 and 36a-770.
- T135 "Insurance". Section 36a-455a.
- T136 "Insurance bank". Section 36a-285.
- T137 "Insurance department". Section 36a-285.
- T138 "Interest". Section 36a-316.
- T139 "Interest rate". Section 36a-316.
- T140 "Lender". Sections 36a-746a and 36a-770.
- T141 "Lessor". Section 36a-676.
- T142 "License". Section 36a-626.
- T143 "Licensee". Sections 36a-510 of the 2008 supplement to the
- T144 general statutes, 36a-596 of the 2008 supplement to the
- T145 general statutes and 36a-626.
- T146 "Limited branch". Section 36a-145 of the 2008 supplement
- T147 to the general statutes.
- T148 "Limited facility". Section 36a-580.
- T149 "Loan broker". Section 36a-615.
- T150 "Loss". Section 36a-330.
- T151 "Made in this state". Section 36a-770.
- T152 "Managing agent". Section 36a-365.
- T153 "Manufactured home". Section 36a-457b.
- T154 "Material litigation". Section 36a-596 of the 2008

- T155 supplement to the general statutes.
- T156 "Member". Section 36a-435b.
- T157 "Member business loan". Section 36a-458a.
- T158 "Member in good standing". Section 36a-435b.
- T159 "Membership share". Section 36a-435b.
- T160 "Mobile branch". Section 36a-435b.
- T161 "Money order". Section 36a-596 of the 2008 supplement to
- T162 the general statutes.
- T163 "Money transmission". Section 36a-365.
- T164 "Mortgage insurance". Section 36a-725.
- T165 "Mortgage lender". Sections 36a-485 of the 2008
- T166 supplement to the general statutes, 36a-510 of the 2008
- T167 supplement to the general statutes and 36a-705.
- T168 "Mortgage loan". Sections 36a-261, 36a-265 and 36a-457b.
- T169 "Mortgage rate lock-in". Section 36a-705.
- T170 "Mortgage servicing company". Section 36a-715.
- T171 "Mortgagor". Section 36a-715.
- T172 "Motor vehicle". Section 36a-770.
- T173 "Multiple common bond membership". Section 36a-435b.
- T174 "Municipality". Section 36a-800 of the 2008 supplement to
- T175 the general statutes.
- T176 "Net outstanding member business loan balance". Section 36a-458a.
- T177 "Net worth". Sections 36a-441a, 36a-458a and 36a-596 of
- T178 the 2008 supplement to the general statutes.
- T179 "Network". Section 36a-155.
- T180 "Nonrefundable". Sections 36a-498 of the 2008
- T181 supplement to the general statutes and 36a-521 of
- T182 the 2008 supplement to the general statutes.
- T183 "Note account". Sections 36a-301 and 36a-456b.
- T184 "Office". Section 36a-316.
- T185 "Officer". Section 36a-435b.
- T186 "Open-end credit plan". Section 36a-676.
- T187 "Open-end loan". Section 36a-565.
- T188 "Organization". Section 36a-800 of the 2008 supplement to
- T189 the general statutes.

T190 "Originator". Sections 36a-485 of the 2008 supplement to
T191 the general statutes and 36a-510 of the 2008 supplement
T192 to the general statutes.
T193 "Out-of-state holding company". Section 36a-410 of the
T194 2008 supplement to the general statutes.
T195 "Outstanding". Section 36a-596 of the 2008 supplement to
T196 the general statutes.
T197 "Passbook savings account". Section 36a-316.
T198 "Payment instrument". Section 36a-596 of the 2008
T199 supplement to the general statutes.
T200 "Periodic statement". Section 36a-316.
T201 "Permissible investment". Section 36a-596 of the 2008
T202 supplement to the general statutes.
T203 "Person". Section 36a-184.
T204 "Post". Section 36a-316.
T205 "Prepaid finance charge". Section 36a-746a.
T206 "Prepayment penalty". Section 36a-746a.
T207 "Prime quality". Section 36a-596 of the 2008 supplement
T208 to the general statutes.
T209 "Principal amount of the loan". Section 36a-510 of the
T210 2008 supplement to the general statutes.
T211 "Processor". Section 36a-155.
T212 "Public deposit". Section 36a-330.
T213 "Purchaser". Section 36a-596 of the 2008 supplement to
T214 the general statutes.
T215 "Qualified financial contract". Section 36a-428n.
T216 "Qualified public depository" and "depository". Section 36a-330.
T217 "Real estate". Section 36a-457b.
T218 "Records". Section 36a-17.
T219 "Related person". Section 36a-53 of the 2008 supplement
T220 to the general statutes.
T221 "Relocate". Sections 36a-145 of the 2008 supplement to the
T222 general statutes and 36a-462a.
T223 "Residential property". Section 36a-485 of the 2008
T224 supplement to the general statutes.

- T225 "Retail buyer". Sections 36a-535 and 36a-770.
- T226 "Retail credit transaction". Section 42-100b.
- T227 "Retail installment contract". Sections 36a-535 and 36a-770.
- T228 "Retail installment sale". Sections 36a-535 and 36a-770.
- T229 "Retail seller". Sections 36a-535 and 36a-770.
- T230 "Reverse annuity mortgage loan". Section 36a-265.
- T231 "Sales finance company". Sections 36a-535 and 36a-770.
- T232 "Savings department". Section 36a-285.
- T233 "Savings deposit". Section 36a-316.
- T234 "Secondary mortgage broker". Section 36a-510 of the 2008
- T235 supplement to the general statutes.
- T236 "Secondary mortgage correspondent lender". Section 36a-
- T237 510 of the 2008 supplement to the general statutes.
- T238 "Secondary mortgage lender". Section 36a-510 of the 2008
- T239 supplement to the general statutes.
- T240 "Secondary mortgage loan". Section 36a-510 of the 2008
- T241 supplement to the general statutes.
- T242 "Security convertible into a voting security". Section 36a-184.
- T243 "Senior management". Section 36a-435b.
- T244 "Share". Section 36a-435b.
- T245 "Simulated check". Sections 36a-485 of the 2008
- T246 supplement to the general statutes and 36a-510 of the
- T247 2008 supplement to the general statutes.
- T248 "Single common bond membership". Section 36a-435b.
- T249 "Social purpose investment". Section 36a-277.
- T250 "Standard mortgage loan". Section 36a-265.
- T251 "Table funding agreement". Section 36a-485 of the 2008
- T252 supplement to the general statutes.
- T253 "Tax and loan account". Sections 36a-301 and 36a-456b.
- T254 "The Savings Bank Life Insurance Company". Section 36a-285.
- T255 "Time account". Section 36a-316.
- T256 "Travelers check". Section 36a-596 of the 2008 supplement
- T257 to the general statutes.
- T258 "Troubled Connecticut credit union". Section 36a-448a.
- T259 "Unsecured loan". Section 36a-615.

T260 "Warehouse agreement". Section 36a-485 of the 2008
T261 supplement to the general statutes.

133 Sec. 8. Section 36a-486 of the 2008 supplement to the general
134 statutes, as amended by section 5 of public act 07-156, is repealed and
135 the following is substituted in lieu thereof (*Effective September 30, 2008*):

136 (a) No person shall engage in the business of making first mortgage
137 loans or act as a first mortgage broker in this state unless such person
138 has first obtained the required license in accordance with the
139 provisions of sections 36a-485 to 36a-498a, inclusive, and sections 1 to
140 5, inclusive, of this act. A first mortgage correspondent lender shall not
141 be deemed to be acting as a first mortgage lender if such first mortgage
142 correspondent lender makes a loan utilizing its own funds in a
143 situation where another person does not honor such person's
144 commitment to fund the loan.

145 (b) No person licensed as a mortgage lender or first mortgage
146 broker shall employ or retain an originator unless such originator is
147 licensed under sections 36a-485 to 36a-498a, inclusive, and sections 1 to
148 5, inclusive, of this act provided such licensure shall not be required
149 for any originator who is licensed under sections 36a-510 to 36a-524,
150 inclusive. No individual may act as an originator without being
151 licensed, or act as an originator, as defined in sections 36a-485 of the
152 2008 supplement to the general statutes and 36a-510 of the 2008
153 supplement to the general statutes, for more than one person. The
154 license of an originator is not effective during any period when such
155 originator is not associated with a licensed mortgage lender or first
156 mortgage broker. Both the originator and the mortgage lender and first
157 mortgage broker shall promptly notify the commissioner, in writing, of
158 the termination of employment or services of an originator.

159 (c) Each first mortgage loan negotiated, solicited, placed, found or
160 made without a license shall constitute a separate violation for
161 purposes of section 36a-50.

162 Sec. 9. Section 36a-488 of the 2008 supplement to the general

163 statutes, as amended by section 2 of public act 07-91 and section 6 of
164 public act 07-156, is repealed and the following is substituted in lieu
165 thereof (*Effective September 30, 2008*):

166 (a) (1) The commissioner shall not issue a license as a first mortgage
167 lender, a first mortgage correspondent lender or a first mortgage
168 broker to any person unless such person meets the educational and
169 testing requirements specified in sections 1 to 5, inclusive, of this act
170 and the following tangible net worth and experience requirements, as
171 applicable: (A) The minimum tangible net worth requirement for a first
172 mortgage lender shall be two hundred fifty thousand dollars and the
173 minimum tangible net worth requirement for a first mortgage
174 correspondent lender and a first mortgage broker shall be twenty-five
175 thousand dollars, and (B) a mortgage lender shall have, at the location
176 for which the license is sought, a person with supervisory authority
177 over the lending activities who has at least three years' experience in
178 the mortgage lending business within the five years immediately
179 preceding the application for the license and a first mortgage broker
180 shall have, at the location for which the license is sought, a person with
181 supervisory authority over the brokerage activities who has at least
182 three years' experience in the mortgage lending or mortgage brokerage
183 business within the five years immediately preceding the application
184 for the license.

185 (2) Each licensee shall maintain the net worth required by this
186 subsection and shall promptly notify the commissioner if such
187 licensee's net worth falls below the net worth required by this
188 subsection.

189 (b) The commissioner may issue a first mortgage lender license, a
190 first mortgage correspondent lender license, or a first mortgage broker
191 license. Each first mortgage lender licensee may also act as a first
192 mortgage correspondent lender and a first mortgage broker, and each
193 first mortgage correspondent lender licensee may also act as a first
194 mortgage broker. An application for a license or renewal of such
195 license shall be made under oath and on a form provided by the

196 commissioner. The application shall include: (1) The type of license
197 sought; (2) the name and address of the applicant; (3) the location for
198 which the license is sought; (4) the name and address of each member,
199 partner, officer, director, authorized agent and shareholder owning ten
200 per cent or more of the outstanding stock, as applicable; (5) if the
201 applicant is a trust or the lead lender in one or more participation
202 loans, the name and address of each trustee or lead lender and each
203 beneficiary of the trust or other participant lenders in all outstanding
204 participation loans; (6) a financial statement as of a date not more than
205 six months prior to the filing of the application which reflects tangible
206 net worth, and if such financial statement is unaudited, the proprietor,
207 general partner, or duly authorized officer, trustee or member shall
208 swear to its accuracy under oath before a notary public; (7) evidence
209 that the person with supervisory authority over the lending or
210 brokerage activities at the location for which the license is sought
211 meets the experience required by subsection (a) of this section; [and]
212 (8) on and after January 1, 2010, any applicable certificate of education
213 or certificate of testing required under sections 1 to 5, inclusive, of this
214 act; and (9) such other information pertaining to the applicant, the
215 applicant's background, the background of its principals and
216 employees, and the applicant's activities as the commissioner may
217 require. The commissioner may conduct a criminal history records
218 check of the applicant, of each member, partner, officer or director of
219 the applicant and of the person with supervisory authority at the
220 location for which the license is sought, and require the applicant to
221 submit the fingerprints of such persons as part of the application. The
222 application shall be filed with the national mortgage licensing system,
223 which shall process the fingerprints through the Federal Bureau of
224 Investigation.

225 (c) An application for an originator license or renewal of such
226 license shall be made on a form provided by the commissioner. On and
227 after January 1, 2010, such application shall be accompanied by any
228 applicable certificate of education or certificate of testing required
229 under sections 1 to 5, inclusive, of this act. The commissioner may
230 conduct a criminal history records check of the applicant and require

231 the applicant to submit fingerprints as part of the application. The
232 application shall be filed with the national mortgage licensing system,
233 which shall process the fingerprints through the Federal Bureau of
234 Investigation.

235 Sec. 10. Subsection (b) of section 36a-489 of the 2008 supplement to
236 the general statutes, as amended by section 7 of public act 07-156, is
237 repealed and the following is substituted in lieu thereof (*Effective*
238 *September 30, 2008*):

239 (b) Upon the filing of an application for an originator license, the
240 commissioner shall license the originator named in the application
241 unless the commissioner finds that such (i) application fails to comply
242 with any of the requirements for an originator license, or (ii) applicant
243 has made a material misstatement in the application or that the
244 financial responsibility, character, reputation, integrity and general
245 fitness of such originator are not such as to warrant belief that granting
246 such license would be in the public interest and consistent with the
247 purposes of sections 36a-485 to 36a-498a, inclusive. If the commissioner
248 denies an application for an originator license, the commissioner shall
249 notify such applicant of the denial and the reasons for such denial.
250 Any denial of an application by the commissioner shall, when
251 applicable, be subject to the provisions of section 46a-80. A license shall
252 remain in force and effect until it has been surrendered, revoked,
253 suspended or expires in accordance with the provisions of sections
254 36a-485 to 36a-498a, inclusive.

255 Sec. 11. Section 36a-511 of the 2008 supplement to the general
256 statutes, as amended by section 17 of public act 07-156, is repealed and
257 the following is substituted in lieu thereof (*Effective September 30, 2008*):

258 (a) No person shall engage in the business of making secondary
259 mortgage loans or act as a secondary mortgage broker unless such
260 person has first obtained the required license under sections 36a-510 to
261 36a-524, inclusive, and sections 1 to 5, inclusive, of this act. A person
262 shall be deemed to be engaged in the business of making secondary
263 mortgage loans if such person advertises, causes to be advertised,

264 solicits, offers to make or makes secondary mortgage loans, either
265 directly or indirectly. A secondary mortgage correspondent lender
266 shall not be deemed to be acting as a secondary mortgage lender if
267 such secondary mortgage correspondent lender makes a loan utilizing
268 its own funds in a situation where another person does not honor such
269 person's commitment to fund the loan.

270 (b) No person licensed as a mortgage lender or secondary mortgage
271 broker shall employ or retain an originator unless such originator is
272 licensed under sections 36a-510 to 36a-524, inclusive, and sections 1 to
273 5, inclusive, of this act, provided such license shall not be required for
274 any originator who is licensed under sections 36a-485 to 36a-498a,
275 inclusive. No individual may act as an originator without being
276 licensed, or act as an originator, as defined in sections 36a-485 of the
277 2008 supplement to the general statutes and 36a-510 of the 2008
278 supplement to the general statutes, for more than one person. The
279 license of an originator is not effective during any period when such
280 originator is not associated with a licensed mortgage lender or
281 secondary mortgage broker. Both the originator and the mortgage
282 lender and secondary mortgage broker shall promptly notify the
283 commissioner, in writing, of the termination of employment or services
284 of an originator.

285 (c) Each secondary mortgage loan negotiated, solicited, placed,
286 found or made without a license shall constitute a separate violation
287 for purposes of section 36a-50.

288 Sec. 12. Section 36a-513 of the 2008 supplement to the general
289 statutes, as amended by section 5 of public act 07-91 and section 18 of
290 public act 07-156, is repealed and the following is substituted in lieu
291 thereof (*Effective September 30, 2008*):

292 (a) (1) The commissioner shall not issue a license as a secondary
293 mortgage lender, a secondary mortgage correspondent lender or a
294 secondary mortgage broker to any person unless such person meets
295 educational and testing requirements specified in sections 1 to 5,
296 inclusive, of this act and the following tangible net worth and

297 experience requirements, as applicable: (A) The minimum tangible net
298 worth requirement for a secondary mortgage lender shall be one
299 hundred thousand dollars and the minimum tangible net worth
300 requirement for a secondary mortgage correspondent lender and a
301 secondary mortgage broker shall be twenty-five thousand dollars, and
302 (B) a mortgage lender shall have at the location for which the license is
303 sought, a person with supervisory authority over the lending activities
304 who has had at least three years' experience in the mortgage lending
305 business within the five years immediately preceding the application
306 for the license, and a secondary mortgage broker shall have, at the
307 location for which the license is sought, a person with supervisory
308 authority over the brokerage activities who has at least three years'
309 experience in the mortgage lending or mortgage brokerage business
310 within the five years immediately preceding the application for the
311 license.

312 (2) Each licensee shall maintain the net worth required by this
313 subsection and shall promptly notify the commissioner if such
314 licensee's net worth falls below the net worth required by this
315 subsection.

316 (b) The commissioner may issue a secondary mortgage lender
317 license, a secondary mortgage correspondent lender license or a
318 secondary mortgage broker license. Each secondary mortgage lender
319 licensee may also act as a secondary mortgage correspondent lender
320 and a secondary mortgage broker, and each secondary mortgage
321 correspondent lender licensee may also act as a secondary mortgage
322 broker. Any application for a license or renewal of such license shall be
323 under oath and on a form provided by the commissioner. The
324 application shall include: (1) The type of license sought; (2) the name
325 and address of the applicant; (3) the location for which the license is
326 sought; (4) the name and address of each member, partner, officer,
327 director, authorized agent and shareholder owning ten per cent or
328 more of the outstanding stock, as applicable; (5) if the applicant is a
329 trust or the lead lender in one or more participation loans, the name
330 and address of each trustee or lead lender and each beneficiary of the

331 trust or other participant lenders in all outstanding participation loans;
332 (6) a financial statement as of a date not more than six months prior to
333 the filing of the application which reflects tangible net worth, and if
334 such financial statement is unaudited, the proprietor, general partner,
335 or duly authorized officer, trustee or member shall swear to its
336 accuracy under oath before a notary public; (7) evidence that the
337 person with supervisory authority over the lending or brokerage
338 activities at the location for which the license is sought meets the
339 experience required by subsection (a) of this section; [and] (8) on and
340 after January 1, 2010, any applicable certificate of education or
341 certificate of testing required under sections 1 to 5, inclusive, of this
342 act; and (9) such other information pertaining to the applicant, the
343 applicant's background, the background of its principals and
344 employees and the applicant's activities as the commissioner may
345 require. The commissioner may conduct a criminal history records
346 check of the applicant, of each member, partner, officer or director of
347 the applicant and of the person with supervisory authority at the
348 location for which the license is sought, and require the applicant to
349 submit the fingerprints of such persons as part of the application. The
350 application shall be filed with the national mortgage licensing system,
351 which shall process the fingerprints through the Federal Bureau of
352 Investigation.

353 (c) If the commissioner finds, upon the filing of an application for a
354 mortgage lender or secondary mortgage broker license, that the
355 applicant meets the requirements of subsection (a) of this section, and
356 that the financial responsibility, character, reputation, integrity and
357 general fitness of the applicant and of the partners thereof if the
358 applicant is a partnership, of the members if the applicant is a limited
359 liability company or association, and of the officers, directors and
360 principal employees if the applicant is a corporation, are such as to
361 warrant belief that the business will be operated soundly and
362 efficiently, in the public interest and consistent with the purposes of
363 sections 36a-510 to 36a-524, inclusive, the commissioner may
364 thereupon issue the applicant the license. If the commissioner fails to
365 make such findings, or if the commissioner finds that the applicant

366 made any material misstatement in such application, the commissioner
367 shall not issue a license, and shall notify the applicant of the denial and
368 the reasons for such denial. Any denial of an application by the
369 commissioner shall, when applicable, be subject to the provisions of
370 section 46a-80.

371 (d) An application for an originator license or renewal of such
372 license shall be made on a form provided by the commissioner. On or
373 after January 1, 2010, such application shall be accompanied by any
374 applicable certificate of education or certificate of testing required
375 under sections 1 to 5, inclusive, of this act. The commissioner may
376 conduct a criminal history records check of the applicant and require
377 the applicant to submit fingerprints as part of the application. The
378 application shall be filed with the national mortgage licensing system,
379 which shall process the fingerprints through the Federal Bureau of
380 Investigation.

381 (e) Upon the filing of an application for an originator license, the
382 commissioner shall license the originator named in the application
383 unless the commissioner finds that such (i) application fails to comply
384 with any of the requirements for an originator license, or (ii) applicant
385 has made any material misstatement in the application or that the
386 financial responsibility, character, reputation, integrity and general
387 fitness of such originator, are not such as to warrant belief that
388 granting such license would be in the public interest and consistent
389 with the purposes of sections 36a-510 to 36a-524, inclusive. If the
390 commissioner denies an application for an originator license, the
391 commissioner shall notify such applicant of the denial and the reasons
392 for such denial. Any denial of an application by the commissioner
393 shall, when applicable, be subject to the provisions of section 46a-80.
394 Each license shall remain in force and effect until it has been
395 surrendered, revoked or suspended or expires in accordance with the
396 provisions of sections 36a-510 to 36a-524, inclusive.

397 Sec. 13. (*Effective July 1, 2008*) (a) The sum of ____ dollars is
398 appropriated to the Department of Banking, from the General Fund,

399 for the fiscal year ending June 30, 2009, for the purposes of sections 1 to
400 6, inclusive, of this act.

401 (b) The sum of ____ dollars is appropriated to the Department of
402 Banking, from the General Fund, for the fiscal year ending June 30,
403 2010, for the purposes of sections 1 to 6, inclusive, of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>September 30, 2008</i>	New section
Sec. 2	<i>September 30, 2008</i>	New section
Sec. 3	<i>September 30, 2008</i>	New section
Sec. 4	<i>September 30, 2008</i>	New section
Sec. 5	<i>September 30, 2008</i>	New section
Sec. 6	<i>September 30, 2008</i>	New section
Sec. 7	<i>September 30, 2008</i>	36a-3
Sec. 8	<i>September 30, 2008</i>	36a-486
Sec. 9	<i>September 30, 2008</i>	36a-488
Sec. 10	<i>September 30, 2008</i>	36a-489(b)
Sec. 11	<i>September 30, 2008</i>	36a-511
Sec. 12	<i>September 30, 2008</i>	36a-513
Sec. 13	<i>July 1, 2008</i>	New section

Statement of Legislative Commissioners:

In sections 2, 3, 4 and 5, the phrase "of the general statutes or the" was added before references to the 2008 supplement for clarity. In sections 8, 10, 11 and 12, the reference to the 2008 supplement to the general statutes following the string citation was deleted for clarity. In sections 2, 3, 4 and 5, references to 36a-489a were removed and replaced with references to 36a-498a for accuracy. In section 9, the reference to public act 07-92 was removed and replaced with public act 07-91 for accuracy. In section 11, a reference to section (6) of public act 07-156 was deleted for accuracy.

BA Joint Favorable Subst.-LCO

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note**State Impact:**

Agency Affected	Fund-Effect	FY 09 \$	FY 10 \$
Banking Dept.	BF - Cost	120,000	120,000

Note: BF=Banking Fund

Municipal Impact: None

Explanation

The bill results in a cost to the Department of Banking of approximately \$120,000¹ due to the need for two positions to develop and monitor the increased requirements for first and second mortgage broker and originator licenses.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

¹ The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller. The first year fringe benefit costs for new positions do not include pension costs. The estimated first year fringe benefit rate as a percentage of payroll is 25.36%. The state's pension contribution is based upon the prior year's certification by the actuary for the State Employees Retirement System (SERS). The SERS fringe benefit rate is 33.27%, which when combined with the rate for non-pension fringe benefits totals 58.63%.

OLR Bill Analysis**sHB 5023*****AN ACT APPROPRIATING FUNDS FOR A PROGRAM OF
CONTINUING EDUCATION FOR RESIDENTIAL MORTGAGE
BROKERS AND ORIGINATORS.*****SUMMARY:**

This bill requires initial and renewal applicants for the first and second mortgage broker and originator license to meet certain education and testing requirements. This information must be submitted with the applicable application. Under the bill, by January 1, 2012, all of these licensees will have submitted to 20 hours of initial education and a test, unless they are exempt from the testing requirement because they have been continuously licensed for 10 years. Renewal applicants will be subject to 10 hours of continuing education. The banking commissioner must adopt any regulations he deems necessary to implement these requirements, including establishing the qualifying criteria for accredited professional education programs and tests and acceptable certificates of education and testing, by January 1, 2009.

Under current law, an applicant must meet certain experience and net worth requirements in order to obtain mortgage broker and originator licenses. The bill contains a blank appropriation section for the Department of Banking from the General Fund for fiscal years 2009 and 2010.

EFFECTIVE DATE: September 30, 2008, except for the appropriation provision, which is effective on July 1, 2008.

REQUIREMENTS

Starting on January 1, 2010, all first-time and renewal applicants for

the first- and second-mortgage broker and originator license must prove to the commissioner that they have obtained a (1) certificate of education from an accredited professional education program demonstrating at least 20 classroom hours of study and (2) certificate of testing. The 20 hours must include nine hours each in applicable Connecticut and federal lending laws, regulations, and requirements and two hours in applicable ethics laws, regulations, and requirements. For initial applicants, this requirement must be met during the year before they file. For renewal applicants, the requirement must be met after the issuance of the current license but before the renewal application is filed. The bill exempts from the testing portion of these requirements, renewal applicants who have been continuously licensed or, for originators under the current scheme, registered, for a 10-year period. (Under current law, originators are registered with the banking commissioner, but are scheduled to move to a licensing system as of September 30, 2008.)

For renewal applicants, these requirements end on December 31, 2011, when all such applicants will have achieved the initial testing and 20-hour education. Starting on January 1, 2012, the renewal applicants must prove to the commissioner that they have, within the year prior to filing the application, obtained a certificate of education from an accredited professional education program of at least 10 classroom hours, including four hours on applicable federal lending laws, regulations and requirements; four on applicable Connecticut lending laws; and two on applicable professional ethics regulations and requirements, as determined by the commissioner.

TESTING AND EDUCATION

Accredited professional education program and test are programs or tests for an applicant that are designed to ensure professional competence in mortgage origination and brokering principles and practices under applicable state and federal lending laws and ethics. The commissioner must approve the program, test, administering agency or organization, and the testing facility.

A certificate of education is a document that certifies that the applicant completed the requisite number of continuing education hours and bears the name of the applicable entity, the title of the program, the dates, the number of hours completed and the signature of the director or authorized agent. A certificate of testing (1) certifies that the applicant has satisfactorily completed an accredited professional test and passed with a score of at least 65% and (2) includes the name of the testing entity, the title of the test, dates, and the signature of the entity's director or authorized agent.

BACKGROUND

Experience and Net-Worth Requirements

Generally, in order to obtain a mortgage broker license, the applicant (individual, company, or other legal entity) must designate a person with supervisory authority over the location to be licensed. This person will have authority over the brokerage activities at the location and must submit a resume, with the appropriate application, showing that he worked in the mortgage brokerage business for at least three of the last five years immediately preceding the application. Applicants may not substitute any other type of experience or certification. A person may only be the supervisory authority for one licensed location at a time and must also be working at the office to be licensed. The minimum tangible net worth requirement for mortgage brokers is \$25,000.

Related Bill

sSB 5577, reported favorably by the Banks Committee, includes continuing education requirements for certain mortgage professionals.

COMMITTEE ACTION

Banks Committee

Joint Favorable

Yea 17 Nay 0 (03/04/2008)